0 32278
Q-33430
8
92-2269
92 14 9600
44
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
PROCESSED BY
44-44 R
18 1992
RECD
MAY 15 1992
114
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the period ended March 31, 1992

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period form _____ to _____

Commission File Number: 0-19542

APPLE SOUTH, INC.

(Exact name of registrant as specified in its charter)

Georgia	59-2778983
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Hancock at Washington, Madison, GA	30650
(Address of principal executive offices)	(Zip Code)

706-342-4552
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X Yes _ No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of April 30, 1992, 3,937,555 shares of common stock were outstanding.

BEST COPY
AVAILABLE

APPLE SOUTH, INC.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1992

INDEX

	Page
Part I - Financial Information	
Item 1 - Financial Statements:	
Statements of Earnings	3
Balance Sheets	4
Statements of Shareholders' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Part II - Other Information	
Item 4 - Submission of Matters to a Vote of Securities Holders	10
Item 5 - Other Information	10
Item 6 - Exhibits and Reports on Form 8-K	10
Signatures	11

APPLE SOUTH, INC.
STATEMENTS OF EARNINGS
For the periods ended March 31, 1992 and 1991
(amounts in thousands, except per share data)

	(Unaudited) Quarter ended March 31,	
	1992	1991
Restaurant sales:		
Applebee's	$17,549	13,786
Hardee's	2,026	1,855
Total restaurant sales	19,575	15,641
Restaurant operating expenses:		
Food and beverage	5,623	4,565
Payroll and benefits	5,763	4,537
Depreciation and amortization	691	617
Other operating expenses	4,982	3,937
Total restaurant operating expenses	17,059	13,656
Income from restaurant operations	2,516	1,985
General and administrative expenses	1,045	678
Operating income	1,471	1,307
Other income (expense):		
Interest expense	(403)	(662)
Interest income	65	6
Other, net	(55)	30
Total other income (expense)	(393)	(626)
Earnings before income taxes	1,078	681
Income taxes	366	248
Net earnings	$712	433
Earnings per share	$0.18	$0.15
Weighted average number of common and common equivalent shares outstanding	4,065	2,927

3.f III

APPLE SOUTH, INC.
BALANCE SHEETS
March 31, 1992 and December 31, 1991
(amounts in thousands, except share data)

ASSETS	(Unaudited) 3-31-92	12-31-91
Current assets:		
Cash	$3,451	6,864
Short-term investments	1,100	143
Accounts receivable	201	208
Inventories	860	741
Prepaid expenses and other	1,027	731
Total current assets	6,639	8,687
Premises & equipment, net	29,269	25,900
Franchise costs, net	1,591	1,577
Goodwill, net	532	541
Other assets	108	118
	$38,139	36,823
LIABILITIES & EQUITY		
Current liabilities:		
Notes payable	$1,064	377
Current installments of long-term debt	2,313	2,254
Current installments of obligations under capital leases	1,167	1,170
Accounts payable	2,919	2,719
Accrued liabilities	2,765	2,348
Income taxes	470	511
Total current liabilities	10,698	9,379
Long-term debt	8,678	9,188
Obligations under capital leases	3,890	4,186
Deferred gain	178	181
Deferred income taxes	400	389
Total liabilities	23,844	23,323
Shareholders' equity:		
Preferred stock, $.01 par value. Authorized 10,000,000 shares: none issued	-	-
Common stock, $.01 par value. Authorized 20,000,000 shares: 3,937,555 issued in 1992 and 3,930,062 in 1991	39	39
Additional paid-in capital	11,715	11,610
Retained earnings	2,541	1,851
Total shareholders' equity	14,295	13,500
	$38,139	36,823

APPLE SOUTH, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
For the periods ended March 31, 1992 and 1991
(amounts in thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance:					
December 31, 1990	2,926	$29	405	56	490
Net earnings				433	433
Cash dividends				(8)	(8)
Common stock issued to ESOP	4		14		14
March 31, 1991	2,930	$29	419	481	929
Balance:					
December 31, 1991	3,930	$39	11,610	1,851	13,500
Net earnings				712	712
Cash dividends				(22)	(22)
Common stock issued to ESOP	5		74		74
Exercise of stock option by director	2		31		31
March 31, 1992	3,937	$39	11,715	2,541	14,295

APPLE SOUTH, INC.
STATEMENTS OF CASH FLOWS
For the periods ended March 31, 1992 and 1991
(amounts in thousands)

	(Unaudited) Quarter ended March 31, 1992	1991
Cash flows from operating activities:		
Net earnings	$712	433
Adjustments to reconcile net earnings to net cash provided by operations:		
Depreciation and amortization	690	616
Additions to franchise conts	(60)	-
Decrease (increase) in assets:		
Accounts receivable	7	(18)
Inventories	(119)	(15)
Prepaid expenses and other	(296)	(139)
Other assets	10	-
Increase (decrease) in liabilities:		
Accounts payable	200	(1,041)
Accrued liabilities	417	490
Income taxes	(41)	128
Deferred income taxes	11	91
Net cash provided by operating activities	1,531	541
Cash flows from investing activities:		
Short-term investments	(957)	(10)
Repayment (proceeds) of note from shareholder	-	(115)
Proceeds from sale of premises and equipment	-	-
Capital expenditures	(4,007)	(356)
Net cash used in investing activities	(4,964)	(481)
Cash flows from financing activities:		
Net proceeds (repayment) of notes payable	687	(6)
Proceeds from long-term debt	-	758
Principal payments on long-term debt	(451)	(570)
Principal payments on obligations under capital leases	(299)	(272)
Proceeds from issuance of commom stock	105	14
Dividends declared and paid	(22)	(8)
Net cash used in financing activities	20	(84)
Net increase (decrease) in cash	(3,413)	(24)
Cash at beginning of period	6,864	448
Cash at end of period	$3,451	424

APPLE SOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 1992 and December 31, 1991

(1) Basis of Presentation

The accompanying unaudited financial statements for the periods ended March 31, 1992 and 1991 have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q. These financial statements should be read in conjunction with the Company's annual report included on Form 10-K for the year ended December 31, 1991. In the opinion of management, these interim financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary for the fair presentation of the Company's financial position and results of operations for the periods indicated.

(2) Commitments

As of March 31, 1992, the Company had commitments of approximately $5 million for the acquisition and construction of new restaurant sites.

(3) Subsequent Acquisition

On May 8, 1992, the Company completed the acquisition of 5 Applebee's units in Jacksonville, Florida and of the territorial rights to future development in a 17 county area that encompasses northeast Florida and southeast Georgia. In conjunction with this transaction, two of the restaurant locations and four of the equipment packages were acquired, with the remaining restaurants and equipment being transferred by lease assignment. The purchase price of approximately $3.5 million was funded with cash, the assumption of notes payable, and through the issuance of 33,501 shares of the Company's common stock valued at $500,000 ($14.925 per share based upon the average daily closing price for the 10-day period preceding the closing of the transaction). These 5 units, making a total of 50 Applebee's restaurants now in operation, are expected to increase annual revenues by $6-7 million.

(4) Cash Dividends

Cash dividends declared and paid in the period ended March 31, 1992 were $22,000, or $.0057 per share. On April 24, 1992, the Company declared a cash dividend of $.008 per share, payable on May 29, 1992, to shareholders of record on May 15, 1992.

(5) Cash for Interest and Income Taxes

For the periods ended March 31, 1992 and 1991, the following supplements the statements of cash flows:

	1992	1991
Interest paid	$395	705
Income taxes paid	$334	230

APPLE SOUTH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
March 31, 1992

Results of Operations

Restaurant sales increased 25.2% to $19.6 million for the quarter ended March 31, 1992 compared to last year. Sales from same stores increased 11% at Applebee's and 9% at Hardee's. Sales from 7 additional Applebee's units (4 opened in 1991 and 3 opened in 1992) also contributed to the overall sales gain. Same store sales benefitted from an improving economy, the absence of a war in the Persian Gulf which was evident in 1991, and customers' positive response to television and radio advertising. Also, at Hardee's, a heightened awareness of customer service, improvement in facilities, and selected menu revisions contributed to increased sales.

Income from restaurant operations increased to 12.9% of sales in 1992 versus 12.7% in 1991. Higher revenues led to the decline in fixed expenses as a percentage of sales. Slightly higher payroll and benefit costs were more than offset by lower food and beverage expenses. Restaurant manager bonus programs which include incentives to promote higher margin menu items and to drive down controllable costs at the restaurant level continued in 1992. Lower food and beverage costs in the first quarter of 1992 were consistent with the trend of costs experienced in the latter part of 1991 and reflect greater purchasing efficiencies and changes in several vendor relationships. Depreciation and amortization increased and rent expense decreased as percentages of sales because the Company's strategy is towards owning, rather than leasing, new units. Other operating expenses increased to 25.5% of sales from 25.2% in the first quarter last year, largely from increases in preopening and training costs associated with new units.

General and administrative expenses increased to 5.3% of sales in 1992 from 4.3% in 1991. A substantial portion of this increase is attributable to expenses associated with the Company's being public in 1992. A portion is also associated with increased personnel costs and selected nonrecurring costs such as repairs and travel. Interest expense in 1992 of $403,000 was $259,000 lower than 1991 due to lower average interest rates and lower average borrowings in 1992.

Liquidity and Capital Resources

The Company expects to open 10-12 new Applebee's restaurants (excluding acquisitions) in each of the next two years, 3 already having been added in 1992. The associated capital requirement will depend upon the mix between owned and leased units. The Company expects to own most of the real estate for these restaurants, leasing only when purchasing is not feasible. The expected annual capital requirement is $12 million to $15 million. Capital expenditures in the first quarter of 1992 were approximately $4 million. Cash on hand at March 31, 1992 and cash generated from operations through 1993 is expected to provide approximately one-half of the capital required, and additional borrowing is expected to provide the remainder. Although this financing has not been completed yet, new facilities are in place and commitments have been received for substantially all of the amounts required.

Impact of Inflation

Management does not believe that inflation has had a material effect on income during the past several years. Increases in labor, food and other operating costs could adversely affect the Company's operations. In the past, however, the Company generally has been able to modify its operating procedures or increase menu prices to substantially offset increases in operating costs.

Other

The Company currently accounts for income taxes under FASB Statement No. 96, "Accounting for Income Taxes". FASB Statement No. 109, "Accounting for Income Taxes" was issued in February 1992. Statement 109 supercedes Statement 96 and is effective for years beginning after December 15, 1992. The Company has not made a determination whether it will adopt Statement 109 in 1992, and presently does not know the impact of adoption on its financial statements, but does not believe that it will have a material effect.

PART II

Item 4 - Submission of Matters to a Vote of Securities Holders

On April 24, 1992, at the annual meeting of shareholders of the Company, the shareholders approved an amendment to the articles of incorporation clarifying that shareholders of the Company do not have preemptive rights to purchase securities issued by the Company. The amendment was approved by a vote of 2,988,469 shares in favor of the amendment and 16,834 shares against.

Item 5 - Other Information

On May 8, 1992, the Company completed the acquisition of 5 Applebee's units in Jacksonville, Florida and of the territorial rights to future development in a 17 county area that encompasses northeast Florida and southeast Georgia. In conjunction with this transaction, two of the restaurant locations and four of the equipment packages were acquired, with the remaining restaurants and equipment being transferred by lease assignment. The purchase price of approximately $3.5 million was funded with cash, the assumption of notes payable, and through the issuance of 33,501 shares of the Company's common stock valued at $500,000 ($14.925 per share based upon the average daily closing price for the 10-day period preceding the closing of the transaction). These 5 units, making a total of 50 Applebee's restaurants now in operation, are expected to increase annual revenues by $6-7 million.

Item 6 - Exhibits and Reports on Form 8-K

(a) The following document is being filed as part of this report:

Asset Purchase Agreement dated as of April 27, 1992, among Apple South, Inc., Zee-Dee Restaurants, Inc, and Lynn B. Zody, Joe W. Dunkin, and Martha A. Dunkin

(b) No reports on Form 8-K were filed during the quarter ended March 31, 1992, or subsequent through the date of this filing.

APPLE SOUTH, INC.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Apple South, Inc.
(Registrant)

Date: May 14, 1992

Tom E. DuPree, Jr.
Chairman and Chief
Executive Officer

Date: May 14, 1992

Erich J. Booth
Chief Financial Officer

ASSET PURCHASE AGREEMENT

DATED AS OF APRIL 27, 1992,

AMONG

APPLE SOUTH, INC.

ZEE-DEE RESTAURANTS, INC.

AND

LYNN B. ZODY, CAROLINE R. ZODY,
JOE W. DUNKIN, AND MARTHA A. DUNKIN

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated as of April 27, 1992, by and among ZEE-DEE RESTAURANTS, INC., a Florida corporation ("Seller"), LYNN B. ZODY, CAROLINE R. ZODY, JOE W. DUNKIN, and MARTHA A. DUNKIN (the "Shareholders"), and APPLE SOUTH, INC., a Georgia corporation (the "Purchaser").

WHEREAS, Seller is engaged in the business of operating five Applebee's Neighborhood Grill & Bar franchise restaurants;

WHEREAS, the Shareholders own all of the issued and outstanding capital stock of Seller;

WHEREAS, Seller desires to sell to Purchaser all the assets of Seller associated with the operation of the five restaurants and to assign to Purchaser its rights and obligations under certain contracts and leases, and Purchaser desires to purchase such assets and to assume the rights and obligations of Seller under such contracts and leases, all on the terms and subject to the conditions hereinafter set forth; and

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements set forth herein, and intending to be legally bound, the parties hereby agree as follows:

ARTICLE I - DEFINITIONS

1.1 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Assets" shall mean all rights, interests, properties, and assets of Seller of whatever nature, tangible or intangible, real or personal, fixed or contingent, except for the Excluded Assets. Assets shall include, but shall not be limited to, the following:

(i) all equipment, machinery, utensils, furniture, furnishings, other tangible personal property, leasehold improvements, and fixtures used in connection with, or in any way related to, the Business, including but not limited to the items listed on SCHEDULE 1.1(a)(i), but excluding those items which are Excluded Assets; and

(ii) all supplies, other than food and beverage inventory;

(iii) all advertising and promotional materials;

(iv) all prepaid items;

(v) all rights under any liquor, alcoholic beverage, beer and wine, and other licenses of every kind, certificates of occupancy, and permits or approvals of any nature;

(vi) all rights under any patent, trademark, service mark, trade name, or copyright, whether registered or unregistered (except for the name "Zee-Dee Restaurants, Inc.");

(vii) all methods, technologies, know-how, trade secrets, formulations or other intellectual property used in connection with the Business;

(viii) all rights, claims, or causes of action, including all rights under express or implied warranties relating to the Assets; and

(ix) all files, records, data, and plans, including supplier lists, demographic, statistical, and other information related to the opening or operation of restaurants, other information of any type useful to the Business, and copies (if requested by Purchaser) but not originals of employee and financial records; and

(x) all rights and interests of Seller in, to, and under the Contracts, Leases, and Equipment Leases.

(b) "Assumed Liabilities" shall mean (i) a promissory note owed to North Carolina National Bank in the original principal amount of $446,058.92 dated January 23, 1992, (ii) all obligations that accrue after the Closing under the express written terms of the Contracts, Leases, and Equipment Leases, and (iii) any payment due under the express written terms of the Contracts, Leases, and Equipment Leases that accrued prior to the Closing but which (x) are not due until after the Closing, (y) are subtracted in calculating the Purchase Price pursuant to Section 2.3 and (z) are listed on SCHEDULE 2.1. Assumed Liabilities shall not include any liability, obligation, payment, duty, or responsibility of any nature except as expressly described above and specifically shall not include (i) liabilities or obligations of Seller arising out of any breach by Seller of any Contract, Lease, or Equipment Lease; (ii) liabilities or obligations of Seller for any payment or performance due under any Contract, Lease, or Equipment Lease, prior to the Closing or which would have been due prior to the Closing had notice thereof been given or a grace period not existed; (iii) any liability of Seller for product liability, personal injury, property damage, or otherwise based on any tort claim or statutory liability (including but not limited to any "dram shop" liability); (iv) any federal, state, or local tax liability of Seller; (v) any contractual claim based on any lease,

contract, or agreement other than the Contracts, Leases, and Equipment Leases; (vi) any liability, obligation, or responsibility of Seller to employees, agents, or independent contractors of Seller, with respect to wages or benefits earned or accrued prior to the Closing; and (vii) any liability or obligation of Seller or Shareholders arising out of the negotiation, execution, or performance of this Agreement, including fees and expenses of attorneys and accountants.

(c) "Bill of Sale and Assignment Agreement" shall mean an instrument in substantially the form of EXHIBIT A hereto pursuant to which the Assets will be transferred and assigned to Purchaser.

(d) "Business" shall mean the business conducted by Seller prior to the Closing Date of owning and operating the Restaurants.

(e) "Closing" shall have the meaning set forth in Section 2.4 hereof.

(f) "Closing Date" shall mean the time and date the Closing occurs.

(g) "Code" shall mean the United States Internal Revenue Code of 1986, as amended, including effective date and transition rules (whether or not codified). Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

(h) "Consents" shall mean the consents, approvals and estoppels of others which are required to be obtained to authorize and permit the assignment, transfer and conveyance to Purchaser of the Contracts, Leases, and Equipment Leases.

(i) "Contracts" shall mean those franchise and development agreements between Seller and the Franchisor and the other contracts and agreements listed on SCHEDULE 1.1 (i) attached hereto.

(j) "Debts" shall mean the obligations of Seller specified in Section 8.6.

(k) "Equipment Leases" means those leases of personal property described on SCHEDULE 1.1 (k) attached hereto.

(l) "Excluded Assets" shall mean Seller's (i) cash, (ii) bank accounts, (iii) rights to any federal or state income tax refunds, (iv) food and beverage inventory (including beer, wine, and liquor), (v) all personal property located at Seller's

corporate offices at 5569-3 Bowden Road, Jacksonville, Florida, such as furniture, fixtures, furnishings, and computer hardware, (vi) a 1987 Blazer, (vii) utility deposits, and (viii) rights to the name "Zee-Dee Restaurants, Inc."

(m) "Financial Statements" shall mean the unaudited financial statements of Seller at and for the periods ended December 31, 1991, and the unaudited financial statements of Seller at and for the interim period ended March 24, 1992, attached hereto as SCHEDULE 1.1 (m).

(n) "Franchisor" means Applebee's International, Inc.

(o) "Leases" means the three leases of real property and improvements described on SCHEDULE 1.1 (o) attached hereto pursuant to which the land and buildings in which the three restaurants located at 4194 South Third Street, Jacksonville Beach, Florida, 9498 Atlantic Boulevard, Jacksonville, Florida, and 9485 Baymeadows Road, Jacksonville, Florida are leased by Seller.

(p) "knowledge of Seller" (or words of like effect) when used to qualify a representation, warranty or other statement shall mean (i) the actual knowledge of the Shareholders or the officers or directors of Seller, and (ii) the knowledge that any of the Shareholders or the officers or directors of Seller would have possessed upon the exercise of reasonable diligence in the operation of the Business of Seller.

(q) "Purchase Price" shall mean the purchase price specified in Section 2.3 hereof to be paid by Purchaser to Seller.

(r) "Real Property" shall mean the land and improvements on the sites where the Restaurants are located.

(s) "Restaurants" shall mean the five Applebee's Neighborhood Grill & Bar restaurants owned and operated by Seller pursuant to franchise agreements with the Franchisor, at the following locations:

1. 10502 San Jose Blvd.
   Jacksonville, Florida
2. 492 Blanding Blvd.
   Orange Park, Florida
3. 4194 South Third Street
   Jacksonville Beach, Florida
4. 9498 Atlantic Blvd.
   Jacksonville, Florida
5. 9485 Baymeadows Road
   Jacksonville, Florida

(t) "Securities Act" shall mean the Securities Act of 1933, as amended.

(u) "Shares" shall mean the shares of Common Stock, $.01 par value, of Purchaser delivered at the Closing pursuant to Section 2.3(b).

1.2 Singular/Plural; Gender. Where the context so requires or permits, the use of the singular form includes the plural, and the use of the plural form includes the singular, and the use of any gender includes any and all genders.

ARTICLE II - PURCHASE AND SALE

2.1 Purchase and Sale. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing Seller shall sell, convey, transfer, and assign to Purchaser all of Seller's right, title, and interest in and to the Assets free and clear of any mortgage, pledge, security interest, lien, charge, other encumbrance, or claim, and Purchaser shall purchase and acquire the Assets from Seller.

2.2 Assumption of Liabilities. Effective as of the Closing, Purchaser shall assume all of the Assumed Liabilities. Except as expressly provided herein and in the Bill of Sale and Assignment Agreement, Purchaser does not assume or agree to assume or pay any obligations, liabilities, indebtedness, duties, responsibilities, or commitments of Seller of any nature whatsoever, whether known or unknown, absolute or contingent, due or to become due.

2.3 Purchase Price. The purchase price ("Purchase Price") for the Assets shall be $1,000,000 less the amounts accrued under the Contracts, Leases, and Equipment Leases prior to the Closing but for which payment is due after the Closing and plus any amount paid by Seller in advance under the Leases, Equipment Leases, and Contracts with respect to the period after the Closing or any other prepaid item of benefit to Purchaser. Such calculation shall be set forth on SCHEDULE (2.3) which shall be initialled by the parties and attached hereto at the Closing. The Purchase Price shall be paid as follows:

(a) Fifty percent of the Purchase Price shall be paid by the transfer by Purchaser at Closing of that amount into a joint bank account of Seller and Purchaser to be maintained and disbursed pursuant to Section 8.6 below.

(b) Fifty percent of the Purchase Price shall be paid by the issuance to Seller of shares of Common Stock of Purchaser. The number of shares of Common Stock of Purchaser to be issued to Seller hereunder (the "Shares") shall be determined by dividing fifty percent of the Purchase Price by the average closing sale price of the Purchaser's Common Stock as reported by NASDAQ

National Market System for the ten trading days preceding the last trading day prior to the Closing Date. Certificates evidencing the Shares shall be issued at the Closing. The Seller shall deliver such certificates back to counsel for Purchaser, as escrow agent, with an executed blank stock power and such escrow agent shall hold such certificates subject to Section 8.6(e). Once all the Debts have been paid, the escrow agent shall deliver the certificates evidencing the Shares to Seller, less any Shares sold to satisfy Debts in accordance with Section 8.6.

2.4 Closing. The closing of the purchase and sale of the Assets (the "Closing") shall take place at the offices of Booth, Wade & Campbell, Cumberland Center II, Suite 1500, 3100 Cumberland Circle, Atlanta, Georgia 30339-5939, on May 8, 1992, or at such other date and time as may be mutually agreed upon between Purchaser and Seller.

2.5 Allocation of Purchase Price. The Purchase Price shall be allocated among the Assets acquired hereunder as described on SCHEDULE 2.5 hereof. Seller and Purchaser each hereby agree that it will not take a position on any income tax return, before any governmental agency charged with the collection of any income tax, or in any judicial proceeding that is in any way inconsistent with the terms of this Section 2.5.

2.6 Further Assurances. Seller and Shareholders from time to time after the Closing, at Purchaser's request, shall execute, acknowledge and deliver to Purchaser such other instruments of conveyance and transfer and shall take such other actions and execute and deliver such other documents, certifications and further assurances as Purchaser may reasonably require to vest more effectively in Purchaser or to put Purchaser more fully in possession of, any of the Assets, or to better enable Purchaser to complete, perform and discharge the Assumed Liabilities. Each of the parties hereto will cooperate with the others and execute and deliver to the other parties hereto such other instruments and documents and take such other actions as may be reasonably requested from time to time by any other party hereto as necessary to carry out, evidence and confirm the intended purpose of this Agreement.

ARTICLE III - REPRESENTATIONS AND WARRANTIES OF SELLER AND THE SHAREHOLDERS

Seller and the Shareholders (except with respect to Sections 3.10 and 3.11 only Joe W. Dunkin joins in such representations and warranties made therein) hereby jointly and severally represent and warrant to Purchaser as follows:

3.1 Organization, Qualifications and Corporate Power. Seller is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Florida. Seller has the corporate power and authority to execute, deliver and perform this Agreement and the Bill of Sale and Assignment Agreement.

3.2 Authorization. The execution, delivery and performance by Seller of this Agreement and the Bill of Sale and Assignment Agreement have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the Articles of Incorporation or Bylaws of Seller, or any provision of any indenture, agreement or other instrument to which Seller is a party or by which Seller or any of its properties or assets is bound or affected, or conflict with, result in breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of Seller.

3.3 Validity. This Agreement has been duly executed and delivered by Seller and the Shareholders, and constitutes the legal, valid and binding obligation of Seller and the Shareholders, enforceable in accordance with its terms, subject to general equity principles and to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights. When the Bill of Sale and Assignment Agreement has been executed and delivered in accordance with this Agreement, it will constitute the legal, valid and binding obligation of Seller, enforceable in accordance with its terms, subject to general equity principles and to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights.

3.4 Title to Assets. Seller has good, valid and marketable title to all of the Assets, free and clear of any and all mortgages, pledges, security interests, liens, charges, conditional sales agreements and other encumbrances. SCHEDULE 1.1 (a)(i) hereto is a materially complete and correct description of all the tangible assets of Seller, and their cost. No other party has any claim of any kind to or against the Assets. Any liens, encumbrances, or claims with respect to the Assumed Liabilities constitute exceptions to the representations and warranties of this paragraph.

3.5 Contracts, Leases, and Note.

(a) Each Contract, Lease, and Equipment Lease is a valid and subsisting agreement, without any default of Seller thereunder, and to the knowledge of Seller, without any default on the part of the other party thereto. Seller does not have knowledge of any event or occurrence which with the passage of time or giving of notice or both will constitute a default under any Contract, Lease, or Equipment Lease. A true and correct copy of each Contract, Lease, and Equipment Lease and every amendment thereto is set forth as SCHEDULE 3.5 to this Agreement. At the time of Closing Purchaser shall have made all payments and performed all obligations due or accrued through the Closing Date under each Contract, Lease, or Equipment Lease, except to the extent that any payment is set forth on SCHEDULE 2.3 and deducted in calculating the Purchase Price pursuant to Section 2.3.

(b) No Contract, Lease, or Equipment Lease has been assigned or any interest granted therein to any third party, or is subject to any mortgage, pledge, hypothecation, security interest, lien, or other encumbrance or claim. No other party has any interest to or rights therein or thereunder except the other named parties to the Contracts, Leases, and Equipment Leases.

(c) Each Equipment Lease allows Seller the full use of the equipment and other property described on SCHEDULE 1.1(k) in accordance with the terms of the Equipment Leases, and all of such equipment and other property is present on the premises of the Restaurants and is in good operating condition subject to ordinary wear and tear commensurate with their age and no condition exists requiring material repairs, alterations, improvements, or corrections.

(d) The note dated January 23, 1992 to NCNB is current.

3.6 Sufficiency of Assets. The Assets (including the assignment of the Contracts, the Leases, and the Equipment Leases) include all rights, property, equipment, supplies, licenses, certificates, and other tangible and intangible property necessary or helpful to the continuation of the Business by Purchaser in the manner it is presently conducted by Seller, except for food and beverage inventory, office equipment, furniture, furnishings, and computer hardware, and vehicles. Upon the acquisition of the Assets hereunder Purchaser will have (except for food and beverage inventory) all the property and rights needed to conduct the Business as presently conducted and to conduct the Business in accordance with the requirements of the Franchisor (except as indicated on Schedule 3.6) and good and sound business practice without any further investment or expenditures on the part of Purchaser for assets, properties, rights, or licenses of any kind.

All of the Assets that consist of tangible personal property or fixtures are in good operating condition subject to ordinary wear and tear commensurate with their age and no condition exists requiring material repairs, alterations, or corrections.

3.7 Real Estate.

(a) The water, electric, gas and sewer utility services, and storm drainage facilities currently available to the Real Property are adequate for the conduct of the Business, and to Seller's knowledge there is no condition which will result in the termination of the present access from the Real Property to such utility services and other facilities.

(b) Seller has obtained all authorizations and rights-of-way, which are necessary to ensure vehicular and pedestrian ingress and egress to and from the Real Property, all of which are assignable and shall be assigned to Purchaser at the Closing. There are no restrictions on entrance to or exit from the Real Property to adjacent public streets, roadways or parking lots presently used and no conditions which will result in the termination of the present access from the Real Property to existing highways and roads and parking lots or private drives presently used.

(c) Seller has received no notices, oral or written, and has no reason to believe, that any governmental body having the power of eminent domain over the Real Property has commenced or intends to exercise the power of eminent domain or a similar power with respect to all or any part of the Real Property.

(d) The Real Property and the present uses thereof comply with all regulations of all governmental bodies having jurisdiction over the Real Property, and Seller has received no notices, oral or written, from any governmental body, and has no reason to believe, that the Real Property or any improvements erected or situate thereon, or the uses conducted thereon or therein, violate any regulations of any governmental body having jurisdiction over the Real Property.

(e) The improvements located on the Real Property are in good condition and are structurally sound, and all mechanical and other systems located therein are in good operating condition subject to normal wear and tear commensurate with their age and no condition exists requiring material repairs, alterations, improvements, or corrections.

(f) The site of each Restaurant provides adequate access and parking for the operation of the Restaurant located thereon in accordance with standards established by Franchisor and the

assignment of the Leases and the purchase of two sites owned by parties related to Seller will convey to Purchaser leased or owned sites sufficient for such operation by Purchaser.

(g) No work for municipal improvements has been commenced on or in connection with the Real Property or any street adjacent thereto and to the knowledge of Seller and Shareholders no such improvements are contemplated. No assessment for public improvements has been made against the Real Property which remains unpaid. No notice from any county, township or other governmental body has been served upon the Real Property or received by Seller, or to Seller's knowledge received by the owner of the Real Property, requiring or calling attention to the need for any work, repair, construction, alteration or installation on or in connection with the Real Property which has not been complied with.

(h) There are no "hazardous materials" (as defined below) located on the Real Property and Seller has received no notice of any violation or claimed violation of any law, rule, or regulation relating to hazardous materials. The Real Property has not been used for the storage of hazardous materials. There have been no spills or leaks of hazardous material on the Real Property. There are no underground storage tanks of any kind on the Real Property. The Real Property has not been the subject of either an investigation by federal, state or local officials or private litigation as a result of the handling of hazardous materials. No significant accident or other incident that resulted in hazardous materials contamination has ever occurred on the Real Property. To the best of Seller's knowledge, (i) no neighboring facilities have ever been the subject of an investigation by federal, state or local officials or the subject of private litigation as a result of their handling hazardous materials and (ii) no accident or other incident resulting in hazardous materials contamination has ever occurred on neighboring properties. For the purposes of this Agreement, the phrase "hazardous materials" shall include, without limitation, each of the following: asbestos materials; PCB transformers; toxic, hazardous or contaminated waste, substance or material; oil; petroleum; and oil and petroleum byproducts.

3.8 Conditions Affecting Business. There is no fact, development, or threatened development with respect to the markets, products, services, clients, customers, facilities, personnel, vendors, suppliers, operations, assets, or prospects of the Business which are known to Seller or Shareholders which would materially adversely affect the Business or the prospects of the Business, other than such conditions as may affect as a whole the economy generally. Seller has used its best efforts to keep available for Purchaser the services of the employees, agents, customers and suppliers of Seller active in the conduct of the Business. Seller does not have any reason to believe that any loss

of any employee, agent, customer or supplier or other advantageous arrangement will result because of the consummation of the transactions contemplated hereby.

3.9 Governmental Approvals. To the knowledge of Seller or the Shareholders, no registration or filing with, or consent or approval of, or other action by, any federal, state or other governmental agency or instrumentality is or will be necessary for the valid execution, delivery and performance by Seller or this Agreement that has not or will not timely be done.

3.10 Financial Statements. The Financial Statements have been prepared in accordance with generally accepted accounting principles consistently applied, and fairly present the financial position of Seller as of the dates thereof and the results of its operations for the respective periods thereof. Except as set forth in the balance sheets contained in Financial Statements, and except for obligations and liabilities under the terms of any Contract, Lease, or Equipment Lease, Seller has no obligations or liabilities, absolute, accrued or contingent, as of the date hereof, which would be required to be disclosed on a balance sheet as of such date prepared in accordance with generally accepted accounting principles or in the notes thereto.

3.11 Events Subsequent to March 24, 1992. Since March 24, 1992, Seller has not: (i) issued any stock, bond, options, warrants, rights, or other corporate securities; (ii) borrowed any amount or incurred any obligations or liabilities (absolute or contingent), except current obligations and liabilities incurred in the ordinary course of business of the type and in the amounts consistent with prior periods; (iii) sold, assigned, mortgaged, pledged, subjected to lien or otherwise transferred any interest in any of the assets shown on the Financial Statements or canceled any debts or claims; (iv) suffered any casualty losses, or waived any rights of substantial value; (v) made any changes in employee compensation; (vi) materially reduced its level of inventory or supplies; (vii) materially changed the number of employees or management personnel; (viii) canceled, entered into, or amended any contract or agreement except in the ordinary course of business and consistent with past practice; and (ix) materially changed the operation of the Business in any fashion.

3.12 Litigation. There is no action, suit, investigation or proceeding pending or, to the knowledge of Seller or the Shareholders, threatened against or affecting Seller or the Shareholders, threatened against or affecting Seller or any of its properties or rights before any court or by or before any governmental body or arbitration board or tribunal. To the knowledge of Seller, there does not exist any basis for any such action, suit, investigation or proceeding.

3.13 Shareholders. All the issued and outstanding capital stock of Seller is owned beneficially and of record by the Shareholders.

3.14 Subsidiaries. Seller has no subsidiaries and does not own of record or beneficially, directly, or indirectly, (i) any shares of outstanding capital stock or securities convertible into capital stock of any other corporation, or (ii) any participating interest in any partnership, joint venture, association or other noncorporate business enterprise.

3.15 Permits. Seller has such permits, liquor licenses, beer and wine licenses, other licenses, franchises and authorizations ("Permits") from governmental and regulatory authorities as are necessary to conduct the Business. Seller holds such Permits free of any claims or restrictions and has fulfilled and performed all of its material obligation with respect to such Permits and no event has occurred which allows, nor after notice or lapse of time or both would allow, revocation or termination thereof or would result in any other impairment of the rights of the holder of any such Permits. Except as set forth in SCHEDULE 3.15 hereto, all such Permits are freely assignable and transferable to Purchaser without the consent of any third party, and such assignment will not allow, nor after notice or lapse of time or both would allow, revocation or termination thereof or would result in any other impairment of the rights of Purchaser as the holder of any such Permits.

3.16 Defaults. Seller is not in default under any material note, mortgage, lease, contract, agreement, or obligation of any kind.

3.17 Compliance with Law. Seller is not in default under any order of any court, governmental authority, arbitration board or tribunal to which it is or was subject, or, to the knowledge of Seller or the Shareholders, in violation of any laws, ordinances, governmental rules or regulations the violation of which would have a material adverse effect on Seller or the Business of Seller.

3.18 Labor Matters. Seller is not and never has been a party to any collective bargaining or other labor agreement. There is not pending or threatened any labor dispute, strike, work stoppage, union representation, election, negotiation of collective bargaining agreement or similar labor matter. To the knowledge of Seller or the Shareholders, Seller is not involved in any controversy with any of the employees of Seller or any organization representing any employees of the Seller, and Seller is in compliance with all applicable federal and state laws and regulations concerning the employer/employee relationship. Seller is in

compliance with all of its agreements relating to the employment of its employees, including, without limitation, provisions thereof relating to wages, bonuses, hours of work and the payment of Social Security taxes, and Seller is not liable for any unpaid wages, bonuses or commissions or any tax, penalty, assessment or forfeiture for failure to comply with any of the foregoing.

3.19 Employee Benefits.

(a) SCHEDULE 3.19 hereto contains a true and complete list of all the following agreements or plans of Seller which are presently in effect:

(i) "employee welfare benefit plans" and "employee pension benefit plans," as defined in Sections 3(1) and 3(2), respectively, of the Employee Retirement Income Security Act of 1974, as amended ("ERISA");

(ii) any other pension, profit sharing, retirement, deferred compensation, stock purchase, stock option, incentive, bonus, vacation, severance, disability, health, hospitalization, medical, life insurance, vision, dental, prescription drug, supplemental unemployment, layoff, automobile, apprenticeship and training, day care, scholarship, group legal benefits, fringe benefit, or other employee benefit plan, program, policy, or arrangement, whether written or unwritten, formal or informal, which Seller maintains or to which Seller has any outstanding, present, or future obligation to contribute to or make payments under, whether voluntary, contingent, or otherwise (the plans, programs, policies or arrangements described in clauses (i) or (ii) are herein collectively referred to as the "Seller Plans").

(b) Except as described on SCHEDULE 3.19, Seller does not have an employee stock ownership plan as defined in Sections 4975(e)(7) or 409 of the Code.

(c) Seller does not presently contribute and has never contributed or been obligated to contribute to a multi-employer pension plan as defined in Section 3(37)(A) of ERISA.

(d) No Seller Plan is subject to Title IV of ERISA.

3.20 Securities Law Matters.

(a) Seller and Shareholders understand and acknowledge (i) that the Shares have not been registered under the Securities Act or under the Florida Securities and Investor Protection Act (the "Florida Act") in reliance upon the exemptions provided by Section 4(2) of the Securities Act thereunder and in reliance upon

the exemption provided by Section 517.061(9) of the Florida Act and that the Shares may not be resold, transferred, assigned, pledged, hypothecated, or any interest therein otherwise disposed of unless the Shares are registered under the Securities Act and the Florida Act and any other applicable state securities laws or unless the shares are the subject of an opinion of counsel, which opinion and counsel are acceptable to Purchaser, addressed to Purchaser that such registration is not required; (ii) that the stock certificates evidencing the Shares will bear legends setting forth the restrictions on transfer described above and stop-transfer instructions will be delivered by Purchaser to the Purchaser's stock transfer agent reflecting such restrictions; (iii) that Seller and Shareholders have received copies of Purchaser's Prospectus dated November 21, 1991, Purchaser's Form 10-K for the year ended December 31, 1991, Purchaser's Annual Report for the year ended December 31, 1991, Purchaser's Proxy Statement for the 1992 annual meeting of shareholders and have carefully reviewed such documents; and (iv) Seller and Shareholders have had the opportunity to ask questions of and receive answers from the officers of the Purchaser concerning the Shares, the Purchaser and Purchaser's business, plans, and prospects.

(b) Seller is acquiring the Shares for its own account for investment with no intention of dividing its participation with others or otherwise participating, directly or indirectly, in a distribution of the Shares. Seller may decide to transfer the Shares to the Shareholders in a liquidating distribution.

(c) Seller and Shareholders have such experience in business, financial, and investment matters as to be able to evaluate the merits and risks of an investment in the Shares.

3.21 Bulk Transfer Compliance.

(a) The list of creditors furnished to Purchaser by Seller accurately sets forth all of the creditors of Seller as of the date of such list, the business address of each such creditor, the amount owed to each creditor, and the names of all persons who are known to Seller to assert claims against Seller even though such claims are disputed.

(b) The principal place of business of Seller is located at 5569-3 Bowden Road, Jacksonville, Florida. Except for the Restaurants, Seller has not conducted business at any other location during the last three years.

(c) Seller has not used any tradename or conducted business under any name other than Zee-Dee Restaurants, Inc., during the last three years, except for operating the Restaurants under the name "Applebee's Neighborhood Grill and Bar."

(d) All of the material tangible Assets being transferred hereunder are located on the sites of the Restaurants.

3.22 Representations and Warranties. No representation, warranty or written statement made by Seller or any Shareholder in this Agreement or in any schedule, written statement or certificate furnished to Purchaser in connection with the transactions contemplated hereby by Seller or any Shareholder, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE IV - REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows:

4.1 Organization, Qualifications and Corporate Power. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia. Purchaser has full power and authority to own and hold its properties and to conduct its business as currently conducted and proposed to be conducted. Purchaser has the power and authority to execute, deliver and perform this Agreement and the Bill of Sale and Assignment Agreement.

4.2 Authorization. The execution, delivery and performance by Purchaser of this Agreement and the Bill of Sale and Assignment Agreement have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the articles of incorporation or bylaws of Purchaser, or any provision of any indenture, agreement or other instrument to which Purchaser is a party or by which Purchaser or any of its properties or assets is bound or affected, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of Purchaser other than as contemplated by this Agreement.

4.3 Validity. This Agreement has been duly executed and delivered by Purchaser, and constitutes the legal, valid and binding obligation of Purchaser, enforceable in accordance with its terms, subject to general equity principles and to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights. When the Bill of Sale and Assignment Agreement has been executed and delivered in accordance with this Agreement, it will constitute the legal, valid and binding obligation of Purchaser,

enforceable in accordance with its terms, subject to general equity principles and to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights.

4.4 Governmental Approvals. No registration or filing with, or consent or approval of, or other action by, any federal, state or other governmental agency or instrumentality is or will be necessary for the valid execution, delivery and performance by Purchaser of this Agreement that has not or will not timely be done.

4.5 Representation and Warranties. No representation, warranty or written statement made by Purchaser in this Agreement or in any schedule, written statement or certificate furnished to Seller in connection with the transactions contemplated hereby by Purchaser contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE V - CONDITIONS PRECEDENT TO THE OBLIGATIONS OF PURCHASER

All of the obligations of Purchaser under this Agreement are subject to the fulfillment prior to or at the Closing of each of the following conditions, any one or more of which may be waived in writing by Purchaser:

5.1 Accuracy of Representations and Warranties. The representations and warranties of Seller and the Shareholders contained herein or in any certificate, schedule or other document delivered pursuant to the provisions hereof or in connection herewith shall be true and correct on and as of the Closing Date.

5.2 Compliance with Agreement. Seller shall have performed and complied with all conditions and agreements required by this Agreement to be performed or complied with by it prior to or at the Closing.

5.3 No Material Adverse Change. There shall not have been any material adverse change in the Assets or the Business or financial condition of Seller since the date hereof.

5.4 No Actions. No material litigation, action, suit, investigation, claim or proceeding shall be pending or threatened against or affecting Seller, or any of the Assets, or against or affecting any of the transactions contemplated hereby, which, in the judgment of Purchaser, renders it inadvisable to proceed with the transactions contemplated herein.

5.5 Consents and Approvals. Seller shall have obtained (i) the consent of Franchisor to the assignment of all franchise agreements and development agreements with Franchisor and to the other transactions contemplated hereby; (ii) the waiver of Franchisor of its right of first refusal with respect to the Restaurants; (iii) the consent and approval of the lessors under the Equipment Leases to the assignment thereof; (iv) the consent of the lessors of all real property under the Leases to the assignment thereof; and (v) all other consents and approvals required to effectuate the transactions contemplated hereby, all of which consents, waivers, and approvals shall be in form and substance satisfactory to Purchaser.

5.6 Real Estate Acquisition. Purchaser shall have acquired the land, buildings, and improvements comprising the premises of the restaurants located at 10502 San Jose Boulevard, Jacksonville, Florida, and 492 Blanding Boulevard, Orange Park, Florida.

5.7 Inventory. Purchaser shall have acquired Seller's inventory of food and beverages for the Restaurants based on an inventory immediately preceding the Closing at a price equal to Seller's cost.

5.8 Closing Deliveries. Seller shall have delivered to Purchaser:

(a) A certificate executed by the Shareholders, dated as of the Closing Date, certifying in such detail as Purchaser may request to the fulfillment of the conditions specified in Sections 5.1 through 5.5 hereof;

(b) A certificate of the Secretary or an Assistant Secretary of Seller, dated as of the Closing Date, certifying in such detail as Purchaser may request (i) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of Seller and the Shareholders authorizing the execution, delivery and performance of this Agreement and the Bill of Sale and Assignment Agreement, and that all such resolutions are still in full force and effect and are all the resolutions adopted in connection with the transactions contemplated by this Agreement, and (ii) as to the incumbency and specimen signature of each officer of Seller executing this Agreement, the Bill of Sale and Assignment Agreement, and any certificate or instrument furnished pursuant hereto, and a certification by another officer of Seller as to the incumbency and signature of the officer signing the certificate referred to in this Section 5.8(b);

(c) The opinion of Kopelousos, Head, Smith, Townsend & Metcalf, P. A., counsel to Seller, in substantially the form of EXHIBIT B hereto;

(d) The Bill of Sale and Assignment Agreement, duly executed by Seller;

(e) The Assets;

(f) Original executed copies of the Contracts, the Leases, and the Equipment Leases, and the Consents;

(g) Any other documents that Purchaser may reasonably request at or prior to the Closing.

ARTICLE VI - CONDITIONS PRECEDENT TO THE OBLIGATIONS OF SELLER

All of the obligations of Seller under this Agreement are subject to the fulfillment prior to or at the Closing of each of the following conditions, any one or more of which may be waived in writing by Seller:

6.1 Accuracy of Representations and Warranties. The representations and warranties of Purchaser contained herein or in any certificate, schedule or other document delivered pursuant to the provisions hereof or in connection herewith shall be true and correct on and as of the Closing Date.

6.2 Compliance with Agreement. Purchaser shall have performed and complied with all conditions and agreements required by this Agreement to be performed or complied with by it prior to or at the Closing.

6.3 No Actions. There shall not have been commenced or threatened any action, suit or proceeding which will likely materially and adversely affect consummation of the transactions contemplated hereby.

6.4 Closing Deliveries. Purchaser shall have delivered to Seller:

(a) A certificate executed by an executive officer of Purchaser, dated as of the Closing Date, certifying in such detail as seller may request to the fulfillment of the conditions specified in Sections 6.1 through 6.3 hereof;

(b) A certificate of the Secretary or an Assistant Secretary of the Purchaser, dated as of the Closing Date, certifying in such detail as Seller may request (i) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of the Purchaser authorizing the execution, delivery and performance of this Agreement and the Bill of Sale and Assignment Agreement, and that all such resolutions are still in

full force and effect and are all the resolutions adopted in connection with the transaction contemplated by this Agreement, and (ii) as to the incumbency and specimen signature of each officer of Purchaser executing this Agreement and the Bill of Sale and Assignment Agreement, and any certificate or instrument furnished pursuant hereto, and a certification by another officer of Purchaser as to the incumbency and signature of the officer signing the certificate referred to in this Section 6.4(b);

(c) The Bill of Sale and Assignment Agreement, duly executed by Purchaser;

(d) The funds payable to Seller at the Closing pursuant to Section 2.3(a) hereof;

(e) The Shares; and

(f) Any other documents that Seller may reasonably request at or prior to the Closing.

6.5 Release. Seller and Shareholders shall be released from liability by the obligees of the Assumed Liabilities.

ARTICLE VII - INDEMNIFICATION

7.1 General Indemnification Obligation of Seller and Shareholders. From and after the Closing, each of Seller and the Shareholders, jointly and severally, will reimburse, indemnify and hold harmless Purchaser and its successors and assigns (an "Indemnified Purchaser Party") against and in respect of:

(a) Any and all damages, losses, deficiencies, liabilities, costs and expenses incurred or suffered by any Indemnified Purchaser Party that result from, relate to, or arise out of:

(i) any and all liabilities and obligations of Seller of any nature whatsoever, except for the Assumed Liabilities;

(ii) any and all actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against any Indemnified Purchaser Party that relate to Seller or the Business in which the principal event giving rise thereto occurred prior to the Closing Date or which result from or arise out of any action or inaction prior to the Closing Date of Seller or any director, officer, employee, agent, representative, shareholder, independent contractor, or subcontractor of Seller; or

(iii) any misrepresentation, breach of warranty, or nonfulfillment of any agreement or covenant on the part of Seller or Shareholders under this Agreement, or from any misrepresentation in or omission from any certificate, schedule, statement, document or instrument furnished to Purchaser pursuant hereto or in connection with the negotiation, execution or performance of this Agreement; and

(b) Any and all actions, suits, claims, proceedings, investigations, demands, assessments, audits, fines, judgments, costs and other expenses (including, without limitation, legal fees and expenses) incident to any of the foregoing or to the enforcement of this Section 7.1.

7.2 General Indemnification Obligation of Purchaser. From and after the Closing, Purchaser shall reimburse, hold harmless, and indemnify Seller and Shareholders and their successors and assigns (an "Indemnified Seller Party") against and in respect of:

(a) Any and all damages, losses, deficiencies, liabilities, costs, and expenses, incurred or suffered by any Indemnified Seller Party that result from, relate to, or arise out of:

(i) the Assumed Liabilities;

(ii) any and all actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against any Indemnified Seller Party that relate to Purchaser or the operation of the Restaurants by Purchaser in which the principal event giving rise thereto occurred subsequent to the Closing Date or which result from or arise out of any action or inaction subsequent to the Closing Date of Purchaser or any director, officer, employee, agent, representative, independent contractor, or subcontractor of Purchaser; provided that this indemnity in no way extends to any liability of an Indemnified Seller Party with respect to any obligation incurred prior to the Closing Date by any Indemnified Seller Party not expressly assumed by Purchaser; or

(iii) any misrepresentation, breach of warranty, or nonfulfillment of any agreement or covenant on the part of Purchaser under this Agreement, or from any misrepresentation in or omission from any certificate, schedule, document, or instrument furnished to Seller pursuant hereto or in connection with the negotiation, execution or performance of this Agreement; and

(b) Any and all actions, suits, claims, proceedings, investigations, demands, assessments, audits, fines, judgments, costs, and other expenses (including, without limitation, legal fees and expenses) incident to any of the foregoing or to the enforcement of this Section 7.2.

7.3 Payment. Upon the determination of the amount of any liability of an indemnifying party under Sections 7.1 or 7.2 hereof, the indemnifying party shall pay to the indemnified party within ten days after such determination, the amount of any claim for indemnification made hereunder. If the indemnified party is not paid in full for any such claim, it shall have the right, notwithstanding any other rights that it may have against any person, firm or corporation, to set off the unpaid amount of any such claim against any amounts owed by it (including, but not by way of limitation, in the case of Purchaser against any amount payable under Section 2.3. above but excluding any amount owed to Seller as a shareholder of Purchaser with respect to dividends, distributions, and the like). Notwithstanding any other provision of this Agreement, Seller and Shareholders shall have no liability for any claim (i) based on the physical condition of any Assets consisting of tangible personal property unless Seller is notified of such claim in writing within ten days following the Closing Date or (ii) based on Section 3.7 above unless Seller is notified of such claim in writing within six months following the Closing.

7.4 Arbitration.

(a) All disputes under this Article VII shall be settled by arbitration in Atlanta, Georgia, before three arbitrators pursuant to the rules of the American Arbitration Association. Each party shall select one arbitrator and the two arbitrators shall select a third. Arbitration may be commenced at any time by any party hereto giving written notice to each other party to a dispute that such dispute has been referred to arbitration under this Section 7.4. Any award rendered by the arbitrator shall be conclusive and binding upon the parties hereto; provided, however, that any such award shall be accompanied by a written opinion giving the reasons for the award. This provision for arbitration shall be specifically enforceable by the parties and the decision of the arbitrators in accordance herewith shall be final and binding and there shall be no right of appeal therefrom. Each party shall pay its own expenses of arbitration and the expenses of the arbitrators shall be equally shared; provided, however, that if in the opinion of the arbitrators any claim for indemnification or any defense or objection thereto was unreasonable, the arbitrators may assess, as part of their award, all or any part of the arbitration expenses of the other party (including reasonable

attorneys' fees) and of the arbitrators against the party raising such unreasonable claim, defense or objection.

(b) To the extent that arbitration may not be legally permitted hereunder and the parties to any dispute hereunder may not at the time of such dispute mutually agree to submit such dispute to arbitration any party may commence a civil action in a court of appropriate jurisdiction to solve disputes hereunder.

7.5 Other Rights and Remedies Not Affected. The indemnification rights of the parties under this Article VII are independent of and in addition to such rights and remedies as the parties may have at law or in equity or otherwise for any misrepresentation, breach of warranty or failure to fulfill any agreement or covenant hereunder on the part of any party hereto, including without limitation the right to seek specific performance, rescission or restitution, none of which rights or remedies shall be affected or diminished hereby.

ARTICLE VIII - POST CLOSING MATTERS

8.1 Employee Benefits. Seller shall pay directly to each employee of Seller that portion of all salaries, wages, and benefits (including the arrangements, plans and programs set forth in SCHEDULE 3.19) which has been accrued on behalf of that employee (or is attributable to expenses properly incurred by that employee) as of the Closing Date, and Purchaser shall assume no liability therefor. No portion of the assets of any plan, fund, program or arrangement, written or unwritten, heretofore sponsored or maintained by Seller (and no amount attributable to any such plan, fund, program or arrangement) shall be transferred to Purchaser, and Purchaser shall not be required to continue any such plan, fund, program or arrangement after the Closing Date. The amounts payable on account of all benefit arrangements (other than as specified in the following subsections) shall be determined with reference to the date of the event by reason of which such amounts become payable, without regard to conditions subsequent, and Purchaser shall not be liable for any claim for insurance, reimbursement or other benefits payable by reason of any event which occurs prior to the Closing Date. All amounts payable directly to employees, or to any fund, program, arrangement or plan maintained by Seller therefor shall be paid by Seller on the Closing Date to the extent that such payment is not inconsistent with the terms of such fund, program, arrangement or plan. All employees of Seller who are employed by Purchaser on or after the Closing Date shall be new employees of Purchaser and any prior employment by Seller of such employees shall not affect entitlement to, or the amount of, salary or other cash compensation, current or deferred, which Purchaser may make available to its employees.

8.2 Nonsolicitation. As of the Closing Date, Purchaser shall offer employment to, and Seller shall use its best efforts to assist Purchaser in employing as new employees of Purchaser, all persons presently engaged in the Business who are identified by Purchaser prior to the Closing Date (the "Employees"). Seller shall terminate effective as of the Closing Date all employment agreements it has with any of the Employees. Until the second anniversary of the Closing Date, Seller and Shareholders shall not directly or indirectly solicit or offer employment to any Employee, (i) who is then an employee of Purchaser, or (ii) who has terminated such employment without the consent of Purchaser within 180 days of such solicitation or offer.

8.3 Noncompete Agreement.

(a) For a period of five years following the Closing, none of Seller or either of the Shareholders shall, directly or indirectly, manage, operate, control, or participate in the management, operation, or control of any business that operates, manages, controls, or owns one or more competing restaurants in the Territory, whether as an officer, director, employee, consultant, partner, shareholder, sole proprietor, trustee, or otherwise. A "competing restaurant" means a full-service casual dining restaurant with full bar service, such as Applebee's Neighborhood Grill & Bar, Bennigan's, Chili's, Olive Garden, Ruby Tuesday's, Houlihan's, and the like.

(b) As used in this Section, "Territory" means the area covered by that certain Development Agreement by and among Franchisor, Seller, and the Shareholders.

(c) The parties hereto specifically acknowledge and agree that the remedy at law for any breach of the foregoing covenant not to compete will be inadequate and that the Purchaser, in addition to any other relief available to it, shall be entitled to temporary and permanent injunctive relief without the necessity of proving actual damage.

(d) If the scope of this Section should ever be deemed to exceed the limitation provided by applicable law, then the parties hereto agree that such provisions shall be reformed to set forth the maximum limitations permitted.

8.4 Discharge of Business Obligations. From and after the Closing Date Seller shall pay and discharge, in accordance with past practice but not less than on a timely basis, all obligations and liabilities incurred prior to the Closing Date in respect of the Business, its operations or the assets and properties used therein (except for those expressly assumed by Purchaser here-

under), including without limitation any liabilities or obligations to employees, trade creditors and clients of the Business.

8.5 Transfer of Shares. Seller shall not sell, transfer, assign, pledge, hypothecate, or otherwise dispose of the Shares or any interest therein in contravention of the restrictions on transfer described in Section 3.20 above. Seller may transfer the Shares to the Shareholders provided that they execute such documents necessary to comply with federal and state securities laws.

8.6 Escrow.

(a) Purchaser and Seller shall open a bank account which shall require the signature of a designated representative of each of Purchaser and Seller in order to disburse funds from such account. The cash amount due to Seller pursuant to Section 2.3 shall be deposited into this joint account at the time of Closing. The funds in this account shall first be used to pay those debts (the "Debts") of Seller which (i) are listed on the list of creditors delivered to Purchaser in accordance with Fla. Stat. § 676.104 or (ii) filed by a creditor in writing at the place specified in the notice to Seller's creditors prescribed by Fla. Stat. § 676.107 within thirty days following the mailing by Purchaser of the notice. Upon the expiration of such thirty-day period, Purchaser shall promptly deliver to Seller a list of the Debts, and Purchaser and Seller shall (i) promptly pay out of such account on behalf of Seller those Debts which are not disputed, (ii) maintain in the account the amount of any Debt that is disputed by Seller, and (iii) deliver a check payable to Seller (the "First Check") in an amount equal to forty percent of the Purchase Price less (A) the amount of Debts paid out of such account, (B) the amount of any Debt disputed by Seller, and (C) the amount of any claim by Purchaser pursuant to Article VII above.

(b) Thirty days following the Closing Date, Purchaser and Seller shall deliver a second check drawn on the account to Seller (the "Second Check") in the amount of five percent of the Purchase Price less (A) the amount of any Debt paid out of the account, (B) the amount of any disputed Debt and (C) the amount of any claim by Purchaser pursuant to Article VII above, but the amount of such Debt, disputed Debt, or claim shall be subtracted only to the extent that such amount was not subtracted in calculating the amount of the First Check.

(c) Six months following the Closing Date, Purchaser and Seller shall deliver a third check drawn on the account to Seller (the "Third Check") in the amount of five percent of the Purchase Price plus any interest earned on the funds in the account less (A) the amount of any Debt paid out of the account, (B) the amount

of any disputed Debt, and (C) the amount of any claim by Purchaser pursuant to Article VII above; provided, however, that the amount of any such Debt, disputed Debt, or claim shall be subtracted only to the extent that such amount was not subtracted in calculating the amount of the First Check or the Second Check.

(d) The amount of any disputed Debt shall be maintained in the account until the dispute is resolved between Seller and the creditor and they jointly direct, or a court directs, Purchaser as to the disposition of such amount. The amount of any claim by Purchaser per Article VII above shall remain in the account until Seller's liability therefor is determined by agreement of Purchaser and Seller or by arbitration pursuant to Section 7.5, whereupon such amount shall be paid out as determined by such agreement or arbitration.

(e) If the total amount of the Debts exceeds the amount deposited into the account by Purchaser pursuant to Section 2.3, then Purchaser and Seller shall apply the funds in the account against the Debts pro rata. Seller shall promptly pay the balance of the Debts and shall provide proof of payment thereof to Purchaser. The Shares shall continue to be held in escrow as security for the payment of the Debts until (i) all Debts have been paid and satisfactory evidence of payment is delivered to Purchaser, or (ii) Purchaser and Seller enter into a mutually agreeable plan for the sale of a number of Shares sufficient to satisfy the Debts and the application of the proceeds for such purpose.

(f) Purchaser shall act hereunder to disburse consideration owed to Seller in payment of the Debts in accordance with the provisions of the Uniform Commercial Code - Bulk Transfers. Purchaser shall not be deemed by reason of this Section 8.6 to have assumed the Debts.

8.7 Registration of Shares.

(a) Upon the receipt within twenty-one months from the Closing Date of written request (the "Notice") from the Seller or from any Shareholder that the Purchaser file a registration statement under the Securities Act covering the Shares, then Purchaser shall file a registration statement on Form S-1 (the "Registration Statement") covering the Shares with the Securities and Exchange Commission within sixty days following the receipt of such notice and shall use its best efforts to cause such registration statement to become effective. Purchaser shall bear the expense of the registration of the Shares. Any brokerage or sales commissions shall be borne by Seller.

(b) Seller shall sell the Shares as soon as practicable following the effective date of the Registration Statement.

(c) Immediately following the sale of the Shares, Purchaser shall pay to Seller an amount determined by multiplying (A) the amount by which the average closing sales price per share of Purchaser's common stock, as reported by NASDAQ, for the ten trading days immediately preceding the date of the Notice (the "First Price") exceeds the average closing sales price per share for the ten trading days immediately preceding the effective date of the Registration Statement (the "Second Price") by (B) the number of Shares registered. Conversely, if the Second Price exceeds the First Price, Seller shall pay to Purchaser the difference between the Second Price and the First Price multiplied by the number of Shares.

ARTICLE IX - MISCELLANEOUS

9.1 Brokers' and Finders' Fees.

(a) Seller represents and warrants to Purchaser that all negotiations relative to this Agreement have been carried on by it directly without the intervention of any person, who may be entitled to any brokerage or finder's fee or other commission in respect of this Agreement or the consummation of the transactions contemplated hereby, and Seller agrees to indemnify and hold harmless Purchaser against any and all claims, losses, liabilities and expenses which may be asserted against or incurred by it as a result of Seller's dealings, arrangements or agreements with any such person.

(b) Purchaser represents and warrants that all negotiations relative to this Agreement have been carried on by it directly without the intervention of any person, who may be entitled to any brokerage or finder's fee or other commission in respect of this Agreement or the consummation of the transactions contemplated hereby, and Purchaser agrees to indemnify and hold harmless Seller against any and all claims, losses, liabilities and expenses which may be asserted against or incurred by it as a result of Purchaser's dealings, arrangements or agreements with any such person.

9.2 Sales, Transfer and Documentary Taxes, etc. Seller shall pay all federal, state and local sales, documentary and other transfer taxes, if any, due as a result of the purchase, sale or transfer of the Assets in accordance herewith whether imposed by law on Seller or Purchaser and Seller shall indemnify, reimburse and hold harmless Purchaser in respect of the liability for payment of or failure to pay any such taxes or the filing of or failure to file any reports required in connection therewith.

9.3 Expenses. Each party hereto shall pay its own expenses incidental to the preparation of this Agreement, the carrying out of the provisions of this Agreement and the consummation of the transactions contemplated hereby.

9.4 Contents of Agreement; Parties in Interest; etc. This Agreement sets forth the entire understanding of the parties hereto with respect to the transactions contemplated hereby. It shall not be amended or modified except by written instrument duly executed by each of the parties hereto. Any and all previous agreements and understandings between or among the parties regarding the subject matter hereof, whether written or oral, are superseded by this Agreement.

9.5 Assignment and Binding Effect. This Agreement may not be assigned prior to the Closing by any party hereto without the prior written consent of the other parties. Subject to the foregoing, all of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of Shareholders, Seller and Purchaser.

9.6 Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted hereunder shall be in writing and shall be deemed given only if delivered personally or sent by telecopy or by registered or certified mail, postage prepaid, as follows:

If to Purchaser, to:

Apple South, Inc.
Hancock at Washington
Madison, Georgia 30650
Attention: Tom E. DuPree, Jr.

With a required copy to:

Booth, Wade & Campbell
Cumberland Center II
Suite 1500, 3100 Cumberland Circle
Atlanta, Georgia 30339-5939

Attention: Larry D. Ledbetter

If to Seller or Shareholders, to:

Mr. Lynn B. Zody
MAZ Enterprises
P. O. Box 2507
Aiken, South Carolina 29802

Zee-Dee Restaurants, Inc.
5569-3 Bowden Road
Jacksonville, Florida 32216

Attention: Mr. Joe W. Dunkin

With required copies to:

Kopelousos, Head, Smith, Townsend & Metcalf
Suite A
1329 Kingsley Avenue
P. O. Box 855
Orange Park, Florida 32073

Attention: Robert J. Head, Jr., Esq.

Jensen & Hould
708 North Third Street
Jacksonville, Florida 32216

Attention: Stephen A. Hould, Esq.

or to such other address as the addressee may have specified in a notice duly given to the sender as provided herein. Such notice, request, demand, waiver, consent, approval or other communication will be deemed to have been given as of the date actually delivered, or if mailed, three days after deposit in the U. S. Mail properly addressed with adequate first class postage affixed.

9.7 Florida Law to Govern. This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the State of Florida.

9.8 Headings. All section headings contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement. Any reference to a "person" herein shall include an individual, firm, corporation, partnership, trust, governmental authority or body, association, unincorporated organization or any other entity.

9.9 Schedules and Exhibits. All Exhibits and Schedules referred to herein are intended to be and hereby are specifically made a part of this Agreement.

9.10 Severability. Any provision of this Agreement which is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any

jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.11 Guarantee. The Shareholders hereby jointly and severally and unconditionally guarantee to Purchaser and its affiliates the full and timely performance of all of the obligations and agreements of Seller. The foregoing guarantee shall include the guarantee of the payment of all damages, costs and expenses which might become recoverable as a result of the nonperformance of any of the obligations or agreements so guaranteed or as a result of the nonperformance of this guarantee. Any guaranteed person may, at its option, proceed against any Shareholder for the performance of any such obligation or agreement, or for damages for default in the performance thereof, without first proceeding against any other party or against any of its properties. The Shareholders further agree that their guarantee shall be an irrevocable guarantee and shall continue in effect notwithstanding any extension or modification of any guaranteed obligation, any assumption of any such guaranteed obligation by any other party, or any other act or thing which might otherwise operate as a legal or equitable discharge of a guarantor and Shareholders hereby waive all special suretyship defenses and notice requirements.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first written.

SELLER:

ATTEST:

ZEE-DEE RESTAURANTS, INC.

By: Robin Stapelfeld

By: Joe W Dunkin

PURCHASER:

ATTEST:

APPLE SOUTH, INC.

By: _____

By: _____

SHAREHOLDERS:

Joe W Dunkin
Joe W. Dunkin

Martha A. Dunkin
Martha A. Dunkin

_____
Lynn B. Zody

_____
Caroline R. Zody

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first written.

SELLER:

ATTEST:

ZEE-DEE RESTAURANTS, INC.

By: _____

By: _____

PURCHASER:

ATTEST:

APPLE SOUTH, INC.

By: _____

By: _____

SHAREHOLDERS:

_____
Joe W. Dunkin

_____
Martha A. Dunkin

_____
Lynn B. Zody

_____
Caroline R. Zody

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first written.

ATTEST:

By: _____

SELLER:

ZEE-DEE RESTAURANTS, INC.

By: _____

ATTEST:

By: _____

PURCHASER:

APPLE SOUTH, INC.

By: _____

SHAREHOLDERS:

_____
Joe W. Dunkin

_____
Martha A. Dunkin

_____
Lynn B. Zody

_____
Caroline R. Zody